

**Greater Glasgow NHS Board**

**Board Meeting**

20 July 2004

Board Paper No 04/35

**Convener of the Audit Committee**

**STATEMENT ON INTERNAL CONTROL 2003/2004**

**Recommendation:**

The NHS Board is asked to approve the attached Statement of Internal Control and recommend that it should be signed by the Chief Executive of the NHS Board.

**Background**

To reflect developments in corporate governance within the private sector, the Scottish Executive issued HDL (2002) 11 "Corporate Governance: Statement on Internal Control" in March 2002. This required Chief Executives of NHS Bodies as Accountable Officers to sign a Statement of Internal Control (SIC) as part of the annual accounts. The SIC extended beyond financial controls and included risk management and review processes. Bodies must declare in the SIC those areas where control arrangements are not fully in place and where further work is required. HDL (2002) 11 prescribed the form which the SIC must take and the attached SIC has been prepared to comply with the prescribed format.

The attached SIC was approved by the NHS Greater Glasgow Audit Committee on 6 July 2004 based on the Audit Committee's review of the NHS Board's system of internal control. This review considered the following matters

- The work of the external auditors;
- The work of the internal auditors;
- An assessment of the NHS Board's arrangements against the Minimum Financial Control Standards issued by the Scottish Executive Health Department;
- An assessment of the NHS Board's arrangements for corporate governance and risk management;
- The Annual Fraud Report for the NHS Board (setting out a nil return).

Based on its review of this evidence, the Audit Committee concluded that subject to the exceptions listed in the SIC, the system of internal control complied with the required control standards. The Audit Committee therefore recommends that the Chief Executive of the NHS Board signs the attached Statement on Internal Control 2003/2004.

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Head of Control and Support Systems  
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## **STATEMENT ON INTERNAL CONTROL:**

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS Board's policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the NHS Board's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the NHS Board's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts and accords with guidance from Scottish Executive Health Department - Finance.

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. The key elements of the system of internal control and review can be summarised as follows.

- The NHS Board comprising 23 members including the Chairs and Chief Executives of the NHS Trusts meets monthly. It acts as a board of governance providing strategic leadership and direction across NHS Greater Glasgow in respect of strategy development, resource allocation, implementation of the Local Health Plan and performance management. With effect from 1 April 2004, the Board increased in size to 31 members to reflect the move to single system working.
- A Performance Review Group (PRG) was established and granted delegated responsibility with powers on behalf of the NHS Board to monitor organisational performance and resource allocation and utilisation. The PRG also ensures that there is a co-ordinated overview of performance across all domains of the Performance Assessment Framework. The PRG meets bi-monthly (and more frequently if required) and the Minutes of its meetings are reported to the NHS Board together with recommendations as appropriate. The first meeting was in August 2003. Since then, much of the main emphasis of the PRG has been on the financial position within NHS Greater Glasgow and the development of a Corporate Recovery Plan for the next two years.
- A Corporate Management Team (CMT) was established during 2003/2004 and consists of the NHS Board Chief Executive, Director of Public Health, Director of Finance, Director of Planning and Community Care, Medical Director, Nursing Director, Employee Director and the Trust/Divisional Chief Executives. The CMT is the most senior officer led committee within NHS Greater Glasgow, oversees the operational implementation and delivery of approved strategies and developments. The work of the CMT was augmented by the Trust Management Teams (and from 1 April 2004, Divisional Management Teams). Those Teams were responsible for the operational management of the NHS Trusts, working within the strategic framework set by the NHS Board. In addition, the Director of Finance met with the Trust Directors of Finance at three weekly intervals to consider issues of significance, in particular, addressing the ongoing financial position.
- The Health and Clinical Governance Committee met 4 times last year and ensures that clinical governance mechanisms are in place and effective throughout NHS Greater Glasgow and that the principles and standards of clinical governance are applied to health improvement activities of the NHS Board.

- The Staff Governance Committee continued its responsibilities of ensuring that staff governance mechanisms were in place and effective throughout NHS Greater Glasgow, and to ensure that the principles and standards of the Staff Governance Standard were applied to all management practice within the NHS Trusts and NHS Board. The Committee met quarterly and in addition, the Remuneration Sub Group met to consider the remuneration and appraisal arrangements of the Executive Directors within NHS Greater Glasgow and setting the corporate objectives.
- The NHS Greater Glasgow Research Ethics Governance Committee oversees all of the NHS Board's responsibilities for the establishment, support, training and monitoring of all NHS Local Research Ethics Committees within NHS Greater Glasgow in accordance with guidance issued by the Scottish Executive Health Department.
- The NHS Greater Glasgow Audit Committee ensures that within NHS Greater Glasgow audit mechanisms are in place, activities are within the law and regulations that govern the NHS in Scotland and an effective internal control system is maintained. The Audit Committee met four times during the year to discharge its responsibilities in respect of both the NHS Board and its oversight of the audit committees of the NHS Trusts.
- A Risk Management Group with membership from all Directorates is established to ensure an effective risk management programme exists within the NHS Board to deliver in a proactive way the requirements set out in the Risk Management Strategy approved by the NHS Board. A Steering Sub Group of senior managers meets weekly to oversee the continued maintenance and development of corporate governance and risk management within the NHS Board. The NHS Board's risk management arrangements are included in the review being undertaken by the NHS Greater Glasgow Risk Management Steering Group.
- Risk management and internal control are considered by the NHS Board and the NHS Greater Glasgow Audit Committee and are incorporated into the corporate planning and decision making processes of the NHS Board.
- The NHS Board has a risk management strategy and a risk register. Work is continuing to harmonise risk management arrangements throughout NHS Greater Glasgow and to produce a pan-Glasgow risk register.
- The NHS Board achieved Level 1 accreditation of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) in May 2003 and is committed to achieving the QIS Healthcare Governance Standards which will supersede the CNORIS standards.
- The NHS Board's internal auditors report regularly to the NHS Greater Glasgow Audit Committee on reviews undertaken on a pan-Glasgow basis, audits at Trust/Divisional level and work done in respect of the NHS Board. These reports include the internal auditors' opinion on the adequacy and effectiveness of the NHS Board's system of internal control and recommendations for improvement.

In addition to the meetings of the NHS Greater Glasgow Audit Committee, three Audit Committee workshops were held attended by senior managers and members of the Audit Committees of each of the bodies within NHS Greater Glasgow. The workshops were facilitated by the NHS Board's internal and external auditors and the purpose was to consider the arrangements for corporate governance and risk management which would apply following the abolition of NHS Trusts on 31 March 2003. As a result of these and a further workshop in May 2004, the following arrangements were agreed and are being implemented.

### **Corporate Governance**

Transitional arrangements were put in place for the period from 1 April 2004 to 30 September 2004 to ensure continuity with particular emphasis on the process for approval of annual accounts and Statements of Internal Control.

Arrangements to apply from 1 October 2004 are intended to harmonise corporate, clinical and staff governance at divisional level. Work is continuing on the practical implementation of the new arrangements.

### **Risk Management**

A NHS Greater Glasgow Risk Management Steering Group has been established to oversee the harmonisation of risk management processes across NHS Greater Glasgow and the production of a pan-Glasgow Risk Register. This work will continue throughout 2004/2005.

While internal controls systems operated satisfactorily, the following matter should be recorded:

### **Practitioner Services**

The Practitioner Services Division (PSD) of the Common Services Agency has responsibility for calculating and making payments to Family Health Service (FHS) contractors on behalf of Primary Care Trusts (now Primary Care Divisions of NHS Boards). In previous years, certain significant deficiencies in the control processes operated by PSD were highlighted by the Service Auditor and External Auditors of PSD and these have been reported annually in the organisation's Statement on Internal Control and led to qualification of the External Auditors' opinion. However, these weaknesses have now been addressed such that, during 2003/2004, there have been no significant weaknesses that require individual disclosure and, although the Service Auditor has continued to report a number of weaknesses in the PSD's control systems, it is not considered that these have a fundamental impact on the accuracy or control of FHS payments. This improvement has also enabled the External Auditors to remove the audit qualification.

The NHS Board's External Auditors highlighted in their report for 2002/2003 that work carried out by PSD at a national level had indicated a significant level of incorrect claims had been made at point of delivery for exemption from NHS prescription, dental and ophthalmic charges. As this exercise was not quantified at an individual Trust/Health Board level, the External Auditors qualified their opinion on regularity arising from a limitation in the scope of their work. Further work has been done on this area during 2003/2004 and the results of this have been extrapolated at Health Board level to give an indication of the possible level of FHS income lost due to incorrect claims by patients for exemption from NHS charges. The extrapolation of the sample results for Greater Glasgow indicates that the level of income lost in prescription, dental and ophthalmic charges in the year to 31 December 2003 could possibly amount to £5.96 million. It should, however, be emphasised that we have been provided with no assurances as to likely accuracy of this estimate.

Verification of patient exemption status includes checks at the point of delivery by individual pharmacists dentists and opticians and a programme of retrospective checks by PSD. The outcome of PSD's exemption checking informed the disclosure above and, as a result of potential related control deficiencies, has prompted the Primary Care Division of NHS Greater Glasgow to consider, on a proactive basis, local initiatives to augment the effectiveness of exemption checking. This is currently being pursued on a pilot basis. Although we have reservations as to the accuracy of the estimated error, nevertheless, ultimate responsibility for all aspects of FHS income remains with this organisation and, as the matter relates to overall control mechanisms, it requires to be disclosed in the organisation's Statement on Internal Control.

Signed

Date

Chief Executive and Accountable Officer